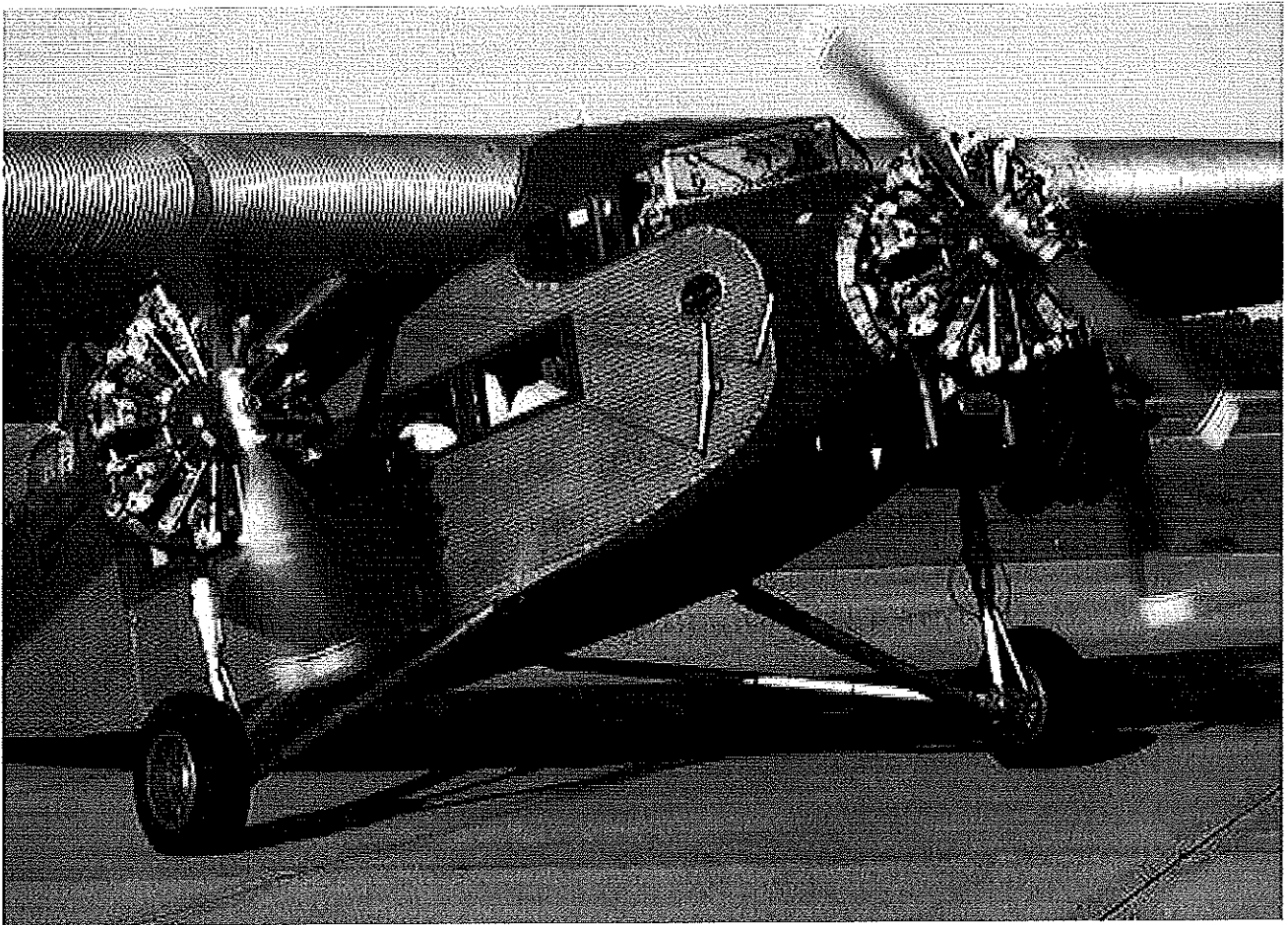


Polk County Aviation Authority

Audited Financial Statements and Required Supplementary Information For the Years Ended June 30, 2011 and 2010



Polk County Aviation Authority
410 West First Street
Ankeny, IA 50023-1557
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**POLK COUNTY AVIATION AUTHORITY
Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
John Pighetti	Chairperson	Polk County
Jeff Wangsness	Secretary	City of Ankeny
Dr. Paul Novak	Treasurer	Polk County
Brant Anderson	Member	City of Altoona
James M. Gocke	Member	Polk County
Jason Greubel	Member	City of Bondurant
Gary Lorenz	Member	City of Ankeny
Amy Beattie	Attorney	Brick Gentry PC
Richard D. Ash	Staff Administrator	City of Ankeny
Margaret Waldschmitt	Recording Secretary	City of Ankeny
Jennifer Sease	Finance Director	City of Ankeny
Exec 1 Aviation, Inc	FBO	

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Polk County Aviation Authority
Ankeny, Iowa

We have audited the accompanying balance sheets of Polk County Aviation Authority as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Polk County Aviation Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Polk County Aviation Authority as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, on our consideration of Polk County Aviation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 19 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Polk County Aviation Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 28, 2011

POLK COUNTY AVIATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2011

The following discussion and analysis of the Polk County Aviation Authority's (the Authority) financial performance provides an introduction to the financial statements for the fiscal year ended June 30, 2011. It is intended to give the readers an overview of and additional insight into the financial activities of the Authority over the past year. This will be done most effectively by reading this discussion and analysis in conjunction with the information contained in the Authority's financial statements.

Financial Highlights

- The current assets of the Authority were \$3,193,500 while the current liabilities were \$821,745, a ratio of 4:1.
- The Authority's total assets increased by \$1,531,700 and total liabilities increased by \$318,029 from 2010.
- The assets of the Authority exceeded its liabilities at the close of the year by \$12,012,877 (net assets). Of this amount, \$1,669,517 is unrestricted net assets and may be used to meet the Authority's ongoing obligations, and \$923,350 is restricted for airport improvement projects.

Overview of the Financial Statements

Following this discussion and analysis are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's financial statements are designed to provide readers with a broad overview of the Authority's finances.

The *Balance Sheets* present the Authority's financial position, in its entirety, as of June 30. All of the Authority's assets and liabilities are presented with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Authority's overall financial position.

The *Statements of Revenues, Expenses, and Changes in Net Assets* present information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement that will result in cash flows in future periods.

The *Statements of Cash Flows* relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are reported in this statement. A reconciliation is provided at the bottom of this statement to assist in the understanding of the difference between cash flows from operating activities and operating income.

In addition to the basic financial statements and accompanying notes, this report also presents the *Budgetary Comparison Schedule*.

POLK COUNTY AVIATION AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Financial Analysis

The following represents the Authority's financial position for the years ended June 30:

Net Assets

	2011	2010
Current assets	\$ 3,193,500	\$ 2,908,498
Capital assets	12,487,383	11,228,536
Other noncurrent assets	46,751	58,900
Total assets	<u>15,727,634</u>	<u>14,195,934</u>
Current liabilities	821,745	282,605
Noncurrent liabilities	2,893,012	3,114,123
Total liabilities	<u>3,714,757</u>	<u>3,396,728</u>
Invested in capital assets, net of related debt	9,420,010	7,963,176
Restricted	923,350	1,208,814
Unrestricted	1,669,517	1,627,216
Total net assets	<u>\$ 12,012,877</u>	<u>\$ 10,799,206</u>

The following represents the Authority's summary of changes in net assets for the years ended June 30:

Changes In Net Assets

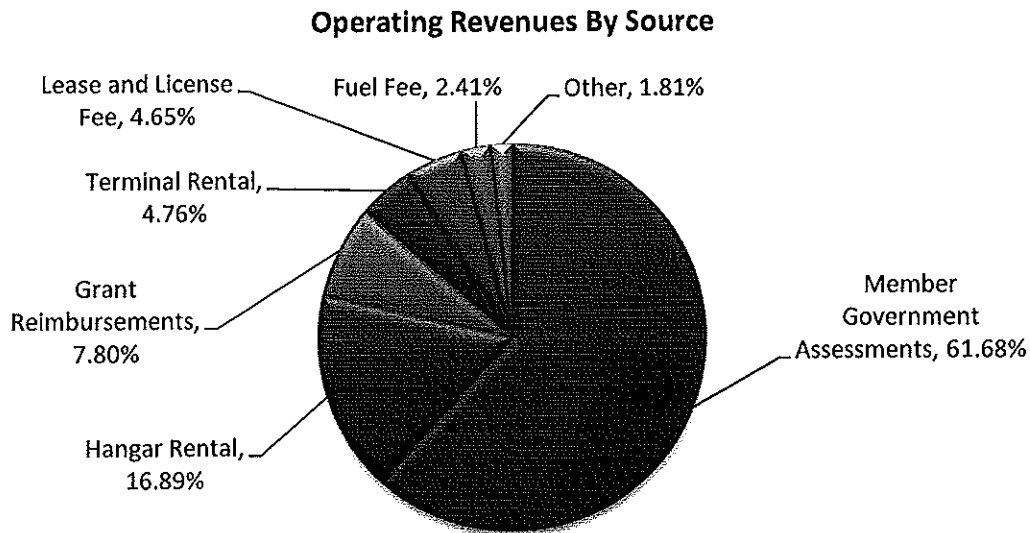
	2011	2010
Total operating revenues	\$ 973,408	\$ 864,547
Total operating expenses	400,318	270,313
Operating income before depreciation	573,090	594,234
Depreciation	852,688	870,070
Operating loss	(279,598)	(275,836)
Nonoperating income	20,849	31,785
Nonoperating expense	(221,307)	(225,915)
Grants for capital improvements	1,693,727	-
Change in net assets	1,213,671	(469,966)
Net assets - beginning	10,799,206	11,269,172
Net assets - ending	<u>\$ 12,012,877</u>	<u>\$ 10,799,206</u>

POLK COUNTY AVIATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2011

The following represents the Authority's summary of operating revenues for the year ended June 30, 2011:



The following is a comparison of the Authority's operating revenues by source for the years ended June 30:

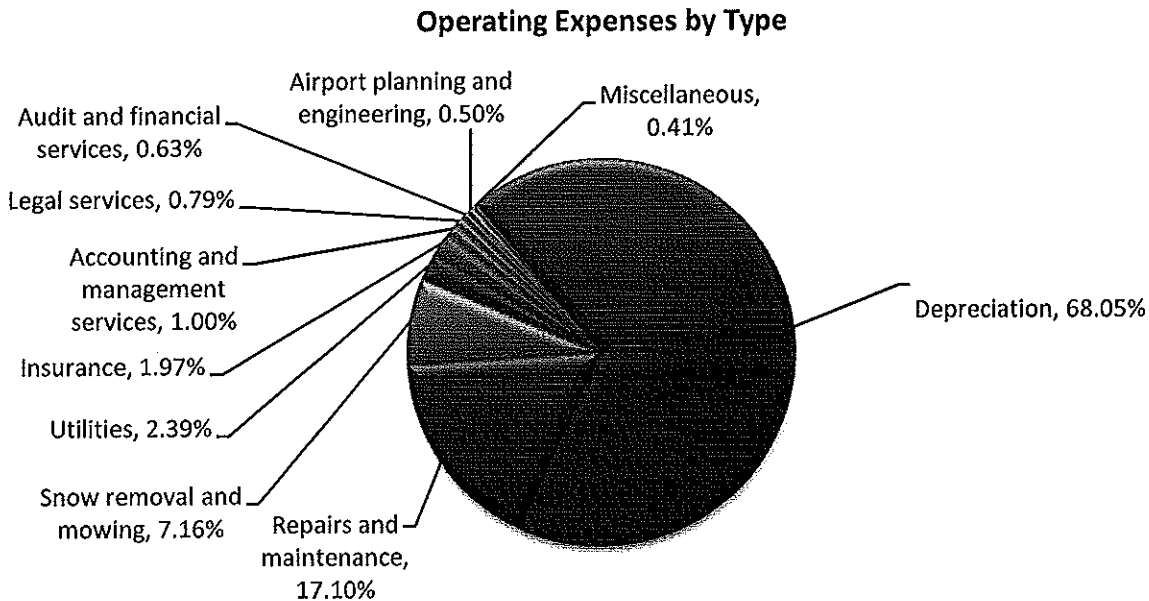
Operating Revenues By Source

	2011	2010
Member government assessments	\$ 600,411	\$ 577,421
Grant reimbursements	75,926	-
Lease and license fee income	45,244	46,685
Fuel fee	23,467	32,682
Hangar rental income	164,420	163,875
Terminal rental income	46,357	43,839
Other	17,583	45
Total operating revenues	<u>\$ 973,408</u>	<u>\$ 864,547</u>

- Total operating revenues increased by \$108,861 or 12.59%.
- Operating grant reimbursements increased by \$75,926. Funds were received from a General Aviation Vertical Infrastructure (GAVI) grant for repairs to the terminal building roof.
- Other revenue increased by \$17,538. Insurance proceeds were received to repair damage to the runway lighting system caused by a lightning strike.
- Fuel fee revenue decreased by \$9,215 or 28.20%. Lingering effects of a weak economy and adverse weather patterns contributed to the decrease in fuel fee revenue.

POLK COUNTY AVIATION AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2011

The following represents the Authority's summary of operating expenses including depreciation for the year ended June 30, 2011:



The following is a comparison of the Authority's operating expenses by type for the years ended June 30:

	2011	2010
Repairs and maintenance	\$ 214,324	\$ 59,376
Snow removal and mowing	89,767	106,657
Depreciation	852,688	870,070
Utilities	29,981	25,731
Insurance	24,639	26,353
Airport planning and engineering	6,263	15,429
Accounting and management services	12,487	12,436
Legal services	9,893	8,361
Audit and financial services	7,875	10,850
Miscellaneous	5,089	5,120
Total operating expenses	<u>\$ 1,253,006</u>	<u>\$ 1,140,383</u>

- Total operating expenses increased by \$112,623 or 9.88%.
- Repair and maintenance costs increased by \$154,948 or 260.96% primarily due to damage caused by a lightning strike, sinkhole repairs and repairs to the terminal building roof.

POLK COUNTY AVIATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2011

- Airport planning and engineering costs decreased by \$9,166 or 59.41%. A focus on capital improvement projects contributed to the decrease in general airport planning and engineering costs.
- Snow removal and mowing expenses decreased by \$16,890 or 15.84%. Snow fall amounts during the 2010-2011 winter season returned to a more normal level following near record snow fall amounts the previous year.

Capital Assets and Debt Administration

Capital Assets. The Authority's capital assets, net of accumulated depreciation, as of June 30, 2011, amounts to \$12,487,383. The Authority's capital assets include land, construction in progress, buildings, infrastructure, and equipment and furniture.

The total increase in the Authority's capital assets for the current fiscal year was \$1,258,847 or 11.21%.

Major capital asset events during the current fiscal year included the following:

- Depreciation on capital assets was \$852,688.
- The Authority purchased two parcels of land for the SE Four Mile Drive Relocation/Runway 22 Protection Zone (RPZ) project for \$2,144,494.
- The Authority held a contract for engineering services for the SE Four Mile Drive Relocation/Runway 22 RPZ project. Construction in progress at June 30 was \$90,822.

The following represents the Authority's summary of capital assets for the years ended June 30:

	2011	2010
Land	\$ 6,759,141	\$ 4,614,647
Construction in progress	90,822	123,782
Aviation museum	162,939	162,939
Equipment and furniture	82,076	82,076
Runway	8,462,384	8,462,384
Taxiway	3,451,883	3,451,883
Apron	1,611,720	1,611,720
T-hangars and access road	2,074,283	2,074,283
Taxiway (offset)	51,951	51,951
Terminal building	758,141	758,141
Parking lot improvements	81,574	81,574
Transmission line lighting	90,876	90,876
Field fence	47,399	47,399
Total	23,725,189	21,613,655
Less accumulated depreciation	11,237,806	10,385,119
Net	<u>\$ 12,487,383</u>	<u>\$ 11,228,536</u>

POLK COUNTY AVIATION AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2011

Additional information on the Authority's capital assets can be found in the notes to the financial statements on pages 14-15 of this report.

Long-Term Debt. At the end of the current fiscal year, the Authority had total bonded debt outstanding of \$3,305,000. All of these bonds were issued by Polk County, Iowa during fiscal year 2005 on behalf of the Authority. The Authority has entered into an agreement with Polk County, Iowa to repay the debt and all related costs of the bond issue.

The Authority's total long-term debt decreased by \$221,111 (7.10%) during fiscal year 2011. The decrease was primarily due to the repayment of bond principal during the fiscal year.

Additional information on the Authority's long-term debt can be found in the notes to the financial statements on pages 15-16 of this report.

Budgetary Information

The Authority prepares an annual budget for all revenues and expenses. The budget is prepared on a modified accrual basis of accounting, which is an accounting method not in conformance with accounting principles generally accepted in the United States of America. A reconciliation is included in the Required Supplementary Information on page 20 showing the differences between the budget basis revenues and expenses and the full accrual basis revenues and expenses.

- Change in net assets was greater than budgeted by \$871,981.
- Operating expenses were under budget by \$685,347.
- Interest income was over budget by \$3,349.
- Federal Aviation Authority grant revenue was over budget by \$1,693,727.

Authority Development Initiatives

The Authority is in the process of planning and designing the relocation of SE Four Mile Drive and acquiring the necessary land for the purpose of protecting the eastern clearance zone for runway 22.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Polk County Aviation Authority, 410 West First Street, Ankeny, Iowa 50023.

POLK COUNTY AVIATION AUTHORITY

**Balance Sheets
June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,034,863	\$ 1,679,616
Cash - restricted	446,478	1,212,374
Accounts receivable	1,706,707	10,687
Prepaid Insurance	5,452	5,821
	<u>3,193,500</u>	<u>2,908,498</u>
Noncurrent assets		
Capitalized bond issue costs - net of amortization of \$39,506 and \$27,357	46,751	58,900
Construction in progress	90,822	123,782
Property and equipment	12,396,561	11,104,754
	<u>12,534,134</u>	<u>11,287,436</u>
Total assets	<u><u>\$15,727,634</u></u>	<u><u>\$ 14,195,934</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 562,207	\$ 23,718
Interest payable	14,070	15,020
Deferred revenue	24,356	33,730
Current portion bonds payable	250,000	240,000
Discount on bonds payable	(2,532)	(2,557)
Advance refunding deferral	(26,356)	(27,306)
	<u>821,745</u>	<u>282,605</u>
Long-term debt		
Bonds payable	3,055,000	3,305,000
Discount on bonds payable	(20,126)	(22,658)
Advance refunding deferral - net of amortization of \$188,868 and \$161,561	(141,862)	(168,219)
	<u>2,893,012</u>	<u>3,114,123</u>
Total liabilities	<u>3,714,757</u>	<u>3,396,728</u>
Net assets		
Invested in capital assets, net of related debt	9,420,010	7,963,176
Restricted for airport improvement projects	923,350	1,208,814
Unrestricted	1,669,517	1,627,216
Total net assets	<u>12,012,877</u>	<u>10,799,206</u>
Total liabilities and net assets	<u><u>\$15,727,634</u></u>	<u><u>\$ 14,195,934</u></u>

See accompanying notes to financial statements.

POLK COUNTY AVIATION AUTHORITY

**Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Operating revenues		
Member government assessments	\$ 600,411	\$ 577,421
Grant reimbursements	75,926	-
Lease and license fee income	45,244	46,685
Fuel fee	23,467	32,682
Hangar rental income	164,420	163,875
Terminal rental income	46,357	43,839
Other	17,583	45
Total operating revenues	<u>973,408</u>	<u>864,547</u>
Operating expenses		
Operations		
Repairs and maintenance	214,324	59,376
Snow removal and mowing	89,767	106,657
Depreciation	852,688	870,070
Utilities	29,981	25,731
Insurance	17,229	18,910
Airport planning and engineering	6,263	15,429
	<u>1,210,252</u>	<u>1,096,173</u>
General and administration		
Accounting and management services	12,487	12,436
Legal services	9,893	8,361
Audit and financial services	7,875	10,850
Insurance	7,410	7,443
Miscellaneous	5,089	5,120
	<u>42,754</u>	<u>44,210</u>
Total operating expenses	<u>1,253,006</u>	<u>1,140,383</u>
Operating loss	(279,598)	(275,836)
Nonoperating income (expense)		
Investment income	20,849	31,785
Amortization of bond costs and discount	(14,706)	(8,269)
Interest expense	(206,601)	(217,646)
Change in net assets before capital contributions	<u>(480,056)</u>	<u>(469,966)</u>
Grants for capital improvements	1,693,727	-
Change in net assets	1,213,671	(469,966)
Net assets - beginning of year	10,799,206	11,269,172
Net assets - end of year	<u>\$ 12,012,877</u>	<u>\$ 10,799,206</u>

See accompanying notes to financial statements.

POLK COUNTY AVIATION AUTHORITY

**Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Member government assessments	\$ 600,411	\$ 577,421
Rental and fee income	361,330	298,539
Cash payments to suppliers for goods and services	<u>(375,094)</u>	<u>(272,507)</u>
Net cash provided by operating activities	<u>586,647</u>	<u>603,453</u>
Cash flows from capital and related financing activities:		
Outlay for property and equipment	(1,597,900)	(56,391)
Payment of bond principal	(240,000)	(235,000)
Payment of bond interest	(180,245)	(191,257)
Grant proceeds received	-	70,439
Net cash used in capital and related financing activities	<u>(2,018,145)</u>	<u>(412,209)</u>
Cash flows from investing activities:		
Investment income	<u>20,849</u>	<u>31,785</u>
Net increase (decrease) in cash and cash equivalents	(1,410,649)	223,029
Cash and cash equivalents at beginning of year	1,679,616	1,462,105
Restricted cash and cash equivalents at beginning of year	1,212,374	1,206,856
Cash and cash equivalents at end of year	<u><u>\$ 1,481,341</u></u>	<u><u>\$ 2,891,990</u></u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (279,598)	\$ (275,836)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	852,688	870,070
(Increase) decrease in accounts receivable	(2,293)	4,739
(Increase) decrease in prepaid insurance	369	440
Increase (decrease) in accounts payable	24,855	(2,634)
Increase (decrease) in deferred revenue	(9,374)	6,674
Net cash provided by operating activities	<u><u>\$ 586,647</u></u>	<u><u>\$ 603,453</u></u>

See accompanying notes to financial statements.

POLK COUNTY AVIATION AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 1 - ORGANIZATION

The Polk County Aviation Authority was organized as an Aviation Authority under Chapter 330A of the Code of Iowa 1987. The Authority operates a municipal airport in Ankeny, Iowa. The member municipalities are the cities of Altoona, Ankeny, Bondurant, and the unincorporated area of Polk County. Through a 28E agreement, each member government contributes an annual levy based on the assessed value of taxable property in the municipality. The 28E agreements expire in the years 2020 and 2021. The breakdown of member government assessments for the year ended June 30, 2011 are \$69,188 from Altoona, \$289,336 from Ankeny, \$13,362 from Bondurant and \$228,525 from unincorporated Polk County. The breakdown of member government assessments for the year ended June 30, 2010 are \$66,658 from Altoona, \$274,659 from Ankeny, \$12,452 from Bondurant and \$223,652 from unincorporated Polk County.

The Board of Directors of the Authority consists of seven representatives of the member municipalities and area. The Board of Directors is composed of three representatives appointed by the Polk County Board of Supervisors; two representatives appointed by the mayor of Ankeny; one representative appointed by the mayor of Altoona; and one representative appointed by the mayor of Bondurant.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Authority are organized as an Enterprise Fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises.

The Authority prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting. The Authority applies all GASB pronouncements as well as all Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The Authority treats all bank accounts and certificates of deposits and all other investments with an original maturity of three months or less as cash equivalents for presentation in the statements of cash flows.

Accounts receivable consists primarily of cost reimbursement and grant receivables from other governmental entities and T-hangar rentals. Management believes that all receivables are collectible and therefore no allowance is recorded.

Deferred revenue reflects payments received on hangar leases prior to the date due. The account is adjusted to record revenue in the month of the rental period.

Capital assets are accounted for at historical cost. The cost of repair and maintenance is charged as an expense, while the cost of renewals or substantial betterments is capitalized.

POLK COUNTY AVIATION AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses related to the purchase of land have been capitalized. These include purchase price, appraisal fees, legal fees and crop loss payments.

Expenses relating to construction are capitalized as construction in progress. These costs are capitalized and depreciated when the asset is placed in service.

Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets of five to twenty years.

The Loan Revenue Maintenance Agreement between Polk County, Iowa and the Authority requires the establishment of three funds as follows:

Project Fund - to account for proceeds from the sale of bonds and used to pay costs of projects, including administrative costs. Net assets restricted for airport improvements are \$923,350 and \$1,208,814 at June 30, 2011, and 2010, respectively.

Revenue Fund - to account for all revenues, fees, rentals or other charges or receipts derived from the services and facilities of the project. These funds may also be used to pay costs of operation of the airport.

Capital Reserve Fund - to account for receipt of all tax revenues levied by the members of the Authority and to pay bond principal and interest. These funds may also be used for payment of the costs of operation of the airport if and only to the extent funds available exceed the amount necessary for the payment of principal and interest on the bonds in any fiscal year.

Expenses relating to the bond issues and the discount on bonds have been capitalized and are being amortized over the life of the bonds.

The Authority's policy is to specifically identify which expenditures are paid from restricted funds when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating income includes revenues and expenses related to the primary, continuing operations of the Authority. Principal operating revenues includes member government assessments and charges for rentals or services. Principal operating expenses are the costs of providing the rental or services and include administrative expenses and depreciation of capital assets. Grant revenues received for capital improvements, investment income and interest expenses are classified as nonoperating in the financial statements.

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

POLK COUNTY AVIATION AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 3 – INVESTMENTS

State law and the bond agreements limit the types of investments that may be used by the Authority. Authorized investments include direct obligations of the United States government and its agencies, certificates of deposit, commercial paper, repurchase agreements, open-end management investment companies registered with the Securities and Exchange Commission, and Iowa Public Agency Investment Trust. There are further restrictions related to the ratings of the investments authorized.

The Authority is part of a state collateral pool that insures funds held for government entities by financial institutions. All of the Authority's funds are held in financial institutions. The investment policy of the Authority does not address concentration of credit risk.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2010	Additions	Disposed	2011
Land	\$ 4,614,647	\$ 2,144,494	\$ -	\$ 6,759,141
Aviation museum	162,939	-	-	162,939
Equipment and furniture	82,076	-	-	82,076
Runway	8,462,384	-	-	8,462,384
Taxiway	3,451,883	-	-	3,451,883
Apron	1,611,720	-	-	1,611,720
T-Hangars, access road	2,074,283	-	-	2,074,283
Taxiway (offsite)	51,951	-	-	51,951
Terminal building	758,141	-	-	758,141
Parking lot improvements	81,574	-	-	81,574
Transmission line lighting	90,876	-	-	90,876
Field fence replacement	47,399	-	-	47,399
Total	21,489,873	2,144,494	-	23,634,367
Accumulated depreciation	10,385,119	852,688	-	11,237,807
Net	\$ 11,104,754	\$ 1,291,806	\$ -	\$ 12,396,560

The Authority received an ownership interest in the aviation museum which had been owned by a not-for-profit organization. The property was transferred in its entirety at completion and acceptance by the Board in accordance with the terms of the land license agreement. Depreciation expense of \$8,147 per year is included in the operating expenses for 2010 and 2011.

NOTE 5 - CONSTRUCTION IN PROGRESS AND COMMITMENTS

SE Four Mile Drive Relocation and Runway 22 Protection Zone Land Acquisition

The Authority has contracted for engineering services for the SE Four Mile Drive Relocation project for \$211,603 and engineering related to the acquisition of land for runway protection zones, obstruction clearing and the SE Four Mile Drive relocation for \$105,880.

POLK COUNTY AVIATION AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 6 – LONG-TERM DEBT

Defeased Debt

On August 20, 1998, the Authority issued revenue bonds in the amount of \$2,000,000. The bonds are dated August 1, 1998 and call for semi-annual interest payments on the first day of June and December. The bonds have interest rates from 4.500% to 4.875%.

On August 10, 2000, the Authority issued revenue bonds in the amount of \$1,820,000. The bonds are dated August 1, 2000 and call for semi-annual interest payments on the first day of June and December. The bonds have interest rates from 6.00% to 6.25%.

An advance refunding of the bonds resulting in an in-substance defeasance of the debt occurred in July 2004 through the issuance of two new bond issues by Polk County, Iowa on behalf of the Authority. The Authority has entered into an agreement with Polk County, Iowa to repay the debt and all related costs of the bond issues. As of June 30, 2011, \$2,400,000 was still outstanding.

The net proceeds of \$3,343,994 (after payment of \$141,425 of underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 and 2000 Series bonds. As a result, the 1998 and 2000 Series bonds are considered to be defeased and the liability for those bonds has been removed from the liabilities of the Authority. The amount of the defeased bonds outstanding to be paid from the escrow account was \$1,895,000 and \$2,090,000 at June 30, 2011 and 2010, respectively.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$357,087 which is shown net of accumulated amortization of \$188,868 in the accompanying financial statements as a deduction from bonds payable. The balance is being charged to operations through the year 2020 using the straight-line method.

Outstanding Debt

Polk County, Iowa issued a \$1,250,000 bond on behalf of the Authority on July 29, 2004. The proceeds will be used for capital improvements to the Airport. The Authority has entered into an agreement with Polk County, Iowa to repay the debt and all related costs of the bond issue. As of June 30, 2011, \$905,000 was still outstanding.

Bonds payable at 6-30-09	\$ 3,780,000
Principal payment on loans FY10	<u>(235,000)</u>
Bonds payable at 6-30-10	\$ 3,545,000
Principal payment on loans FY11	<u>(240,000)</u>
Bonds payable at 6-30-11	<u>\$ 3,305,000</u>

The notes are secured by the full faith and credit of the Authority and Polk County.

POLK COUNTY AVIATION AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 6 – DEBT (CONTINUED)

The bonds issued in July 2004 related to the refunding of the bonds noted above and for capital improvements mature and bear interest as follows:

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Interest Rate</u>
2012	250,000	168,845	4.75% - 5.00%
2013	265,000	156,808	4.75% - 4.75%
2014	280,000	144,220	5.00% - 5.00%
2015	295,000	130,220	5.05% - 5.05%
2016	310,000	115,323	5.10% - 5.10%
2017 - 2021	1,905,000	313,275	5.15% - 5.25%
	<u>\$ 3,305,000</u>	<u>\$ 1,028,691</u>	

Interest incurred on the notes for the years ended June 30, 2011 and 2010 was \$179,295 and \$190,340 respectively. Interest expense for the years ended June 30, 2011 and 2010 includes amortization of the advance refunding deferral of \$27,306.

NOTE 7 - RISK MANAGEMENT

Polk County Aviation Authority is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; environmental issues and natural disasters. These risks are covered by commercial insurance coverage. An insurance claim was filed this fiscal year for damages caused by a lighting strike to the runway lighting system.

NOTE 8- RELATED PARTY TRANSACTIONS

Management and accounting services are performed by City of Ankeny, a member government. Amounts paid for these services are reflected in the expense line items accounting and management services. A \$6,436 invoice payable to the City of Ankeny for administrative services is included in accounts payable at June 30, 2011. The City of Ankeny also provided a short-term loan to the Authority for the SE Four Mile Drive Relocation/Runway 22 Protection Zone (RPZ) project in the amount of \$500,000. The \$500,000 repayment of the loan is included in accounts payable at June 30, 2011.

Polk County and the City of Ankeny have also issued grant funds to the Authority in prior years and Polk County has issued bonds on behalf of the Authority as described in Note 6.

The Authority has contracted with the fixed base operator for mowing services and with Polk County for snow removal services.

The Authority rents 9.85 acres of land to a Board member at \$50 per acre.

POLK COUNTY AVIATION AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 9 - OTHER AGREEMENTS

The Authority entered into a land license agreement with an outside party for use of Authority property to construct and maintain an office building. The agreement calls for monthly lease payments of \$500 for a period of twenty-five years. Two five-year renewal options are allowed. The property, including buildings, reverts to the Authority at the termination of the agreement.

The Authority has entered into a twenty-year lease for a fixed base operator to serve the airport. The lease allows for two additional consecutive five-year options. Rent will be charged as follows:

Base rent \$1 per year

License fee..... \$4,500 per year beginning July 1, 2008

The license fee shall be renegotiated each five years

Fuel fee..... \$0.09 per gallon sold or consumed is charged after April 30, 2004

Hangar land rent .. \$3,360 annually for 16,800 square feet commencing July 1, 2005 for a period of 15 years with 2 five year renewal options. The rent is adjusted annually based on the consumer price index. In 2011 the consumer price indexed rate was \$0.230 per square foot.

Building rent..... \$3,000 per month through December 31, 1999. For the remainder of the agreement, rent is calculated annually based on sublease income.

The Authority receives lease income from 14 garages at \$105 per month each and 72 hangar units at \$170 per month each. The lease terms generally are for one annual period and subject to revision upon renewal.

NOTE 10 – LITIGATION

The Authority is subject to an appeal of condemnation awards related to land acquisition for the SE Four Mile Drive Relocation and Runway Protection Zone Projects. The probability of an amount having to be paid over and above the original condemnation awards is undeterminable.

REQUIRED SUPPLEMENTARY INFORMATION

POLK COUNTY AVIATION AUTHORITY

**Budgetary Comparison Schedule
For the Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Over/(Under) Budget
Operating Revenues				
Member government contributions	\$ 600,411	\$ 600,411	\$ 600,411	\$ -
Leases and fees	38,000	44,200	45,244	1,044
Fuel income	32,000	26,000	23,467	(2,533)
Terminal rental/utility income	44,500	47,500	46,357	(1,143)
T-hangar rental income	164,000	164,000	164,420	420
Insurance reimbursement	-	17,583	17,583	-
FEMA reimbursement	-	606	515	(91)
State reimbursement	-	84,500	75,411	(9,089)
Total Operating Revenues	878,911	984,800	973,408	(11,392)
Operating Expenses				
Offsite accounting services	12,500	12,500	12,487	(13)
Overhead - manager and public works	700	700	622	(78)
Financial services	900	-	-	-
Advertising and promotion	100	-	-	-
Publications	1,400	1,000	1,003	3
Conferences and seminars	2,000	2,500	2,144	(356)
Legal services	10,000	10,000	9,893	(107)
Audit expenses	7,900	8,000	7,875	(125)
General insurance	7,500	4,600	4,550	(50)
Property insurance	1,700	1,500	1,501	1
Public officials insurance	8,000	7,500	7,410	(90)
Minor equipment	-	900	849	(51)
Snow and mowing	50,000	61,000	65,331	4,331
Maintenance and repairs	20,500	41,000	56,299	15,299
Utilities	7,000	8,000	6,831	(1,169)
Engineering - general	12,000	12,000	6,263	(5,737)
Miscellaneous	500	500	471	(29)
T-hangar utilities	8,000	8,000	7,016	(984)
T-hangar advertising	100	100	-	(100)
T-hangar property insurance	8,500	7,600	7,537	(63)
T-hangar snow and mowing	24,000	18,500	17,109	(1,391)
T-hangar maintenance and repairs	4,500	4,500	477	(4,023)
Terminal building property insurance	4,300	3,700	3,641	(59)
Terminal building snow and mowing	9,000	6,400	7,327	927
Terminal building maintenance and repairs	7,000	7,000	6,722	(278)
Terminal building utilities	14,000	17,700	16,135	(1,565)
SE Four Mile Dr roadway realignment	850,000	183,000	1,063	(181,937)
Runway 22 RPZ acquisition	2,400,000	2,600,000	2,110,472	(489,528)
Terminal building roof rehabilitation	-	169,000	150,825	(18,175)
Total Operating Expenses	3,472,100	3,197,200	2,511,853	(685,347)

POLK COUNTY AVIATION AUTHORITY

**Budgetary Comparison Schedule
For the Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Over/(Under) Budget
Other Income				
Interest income	30,000	17,500	20,849	3,349
Loan proceeds	-	1,500,000	500,000	(1,000,000)
FAA reimbursement	3,087,500	-	1,693,727	1,693,727
Total Other Income	3,117,500	1,517,500	2,214,576	697,076
Other Expenses				
Bond/loan principal	240,000	240,000	740,000	500,000
Bond/loan interest	180,245	180,245	179,295	(950)
Total Other Expenses	420,245	420,245	919,295	499,050
Net Change in Net Assets	104,066	(1,115,145)	(243,164)	871,981
Net Assets - Beginning	2,770,809	2,836,030	2,836,030	-
Net Assets - Ending	<u>\$ 2,874,875</u>	<u>\$ 1,720,885</u>	<u>\$ 2,592,866</u>	<u>\$ 871,981</u>

POLK COUNTY AVIATION AUTHORITY

**Explanation of Differences Between Budgetary
Basis and GAAP Basis Revenues and Expenses
For the Year Ended June 30, 2011**

Ordinary and other income:

Actual amount of ordinary income and other income on a budgetary basis from the budgetary comparison schedule	\$ 3,187,984
On a budgetary basis, bond and loan proceeds are recorded as revenue. On a GAAP basis, bond and loan proceeds are recorded as a liability	(500,000)
Total GAAP basis ordinary and other income	<u>\$ 2,687,984</u>

Ordinary and other expenses:

Actual amount of ordinary expenses and other expenses on a budgetary basis from the budgetary comparison schedule	\$ 3,431,148
Bond principal payments are recorded as an expenditure on a budgetary basis, but are not expensed on a GAAP basis.	(740,000)
Bond issuance costs are expensed and bond discounts are not recorded on a budgetary basis. These costs and discounts are recorded and amortized under GAAP.	42,012
Depreciation and losses on fixed assets are reported on a GAAP basis but are not recorded on a budgetary basis	852,688
Purchases of capital assets are reported as an expense on a budget basis but are capitalized and depreciated on a GAAP basis	(2,111,535)
Total GAAP basis ordinary and other expenses	<u>\$ 1,474,313</u>

The notes to the required supplementary information are an integral part of this schedule.

POLK COUNTY AVIATION AUTHORITY

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Other Identification Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0132-16	<u>\$ 1,693,727</u>
Indirect:			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
Disaster Grants - Public Assistance	97.036	FEMA-1930-DRIA	<u>454</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 1,694,181</u>

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Polk County Aviation Authority
Ankeny, Iowa

We have audited the financial statements of Polk County Aviation Authority (the Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Polk County Aviation Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County Aviation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Authority's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part IV of the accompanying schedule of findings.

This report, a public record by law, is intended solely for the information and use of the members and constituents of Polk County Aviation Authority and other parties to whom the Authority may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 28, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors
Polk County Aviation Authority
Ankeny, Iowa

Compliance

We have audited Polk County Aviation Authority's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2011. The Polk County Aviation Authority's major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Polk County Aviation Authority's management. Our responsibility is to express an opinion on Polk County Aviation Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Polk County Aviation Authority's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Polk County Aviation Authority's compliance with those requirements.

In our opinion, Polk County Aviation Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Polk County Aviation Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Polk County Aviation Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Polk County Aviation Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the Polk County Aviation Authority and other parties to whom the Polk County Aviation Authority may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 28, 2011

**Polk County Aviation Authority
SCHEDULE OF FINDINGS
Year ended June 30, 2011**

Part I—Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) The major program was as follows:
 - CFDA Number 20.106 Airport Improvement Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Polk County Aviation Authority did not qualify as a low-risk auditee.

**Polk County Aviation Authority
SCHEDULE OF FINDINGS
Year ended June 30, 2011**

Part II—Findings Related to the Financial Statements

No matters regarding significant deficiencies, material weaknesses or instances of noncompliance relative to the financial statements were reported.

Part III—Findings and Questioned Costs to Federal Awards

None

**Polk County Aviation Authority
SCHEDULE OF FINDINGS
Year ended June 30, 2011**

Part IV—Findings Related to Required Statutory Reporting

11-IV-A QUESTIONABLE EXPENSES

No questionable expenditures of Authority funds were noted.

11-IV-B TRAVEL EXPENSE

No expenditures of Authority money for travel expenses of spouses of Authority officials or employees were noted.

11-IV-C BOARD MINUTES

No transactions were found that we believe should have been approved in the Board minutes but were not.

11-IV-D DEPOSITS AND INVESTMENTS

No instances on noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Authority's investment policy were noted.